

Trey Hanbury
Partner
T: 202.637.5534
trey.hanbury@hoganlovells.com

July 26, 2013

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: *Ex Parte Notice*

Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions, GN Docket No. 12-268;
Policies Regarding Mobile Spectrum Holdings, GN Docket No. 12-269

Dear Ms. Dortch:

On July 24, 2013, Kathleen Ham and Joshua Roland of T-Mobile USA, Inc.; Gregory Rosston, Deputy Director of the Stanford Institute for Economic Policy Research (representing T-Mobile); and Trey Hanbury of Hogan Lovells US LLP (representing T-Mobile) met with two members of Acting Chairwoman Clyburn's staff: Louis Peraertz, Legal Advisor for Wireless, International, and Public Safety and Sarah Whitesell, Legal Advisor for Media.

T-Mobile discussed its proposed Dynamic Market Rule, as outlined in the attached slide, which is a seamless mechanism for gradually relaxing spectrum-aggregation limits. Under this proposal, the Commission would run the auction with the full spectrum-aggregation limit in place; if the auction's revenue target is met, the auction ends, but if the bids fall short of the target, the limit is gradually relaxed. The Dynamic Market Rule thus allows the market to determine the appropriate level of spectrum-aggregation limits, and it removes concerns that a spectrum-aggregation limit could hamper the amount of spectrum cleared or harm auction revenues.

T-Mobile also attaches a J.P. Morgan analyst report, which examines the value of wireless spectrum, including the comparative value of high- and low-frequency spectrum, as well as the value of each carrier's spectrum holdings. Of particular interest, J.P. Morgan values the lower-frequency Cellular and 700 MHz bands at roughly double to quadruple the higher-frequency PCS, AWS, and 2.5 GHz bands, which reflects the qualitative differences between these bands.¹ As J.P. Morgan observes, AT&T and Verizon's low-frequency acquisitions in the 700 MHz auction "cemented" their position "as the leaders of the US wireless industry for the next decade at least."² Furthermore, J.P.

¹ See J.P. Morgan, *Telecom Services and Towers* 9 (Dec. 5, 2012) (valuing Cellular and 700 MHz spectrum at \$1.62 and \$1.32/MHz-POP respectively, while valuing PCS and AWS spectrum at \$0.68/MHz-POP and 2.5 GHz spectrum at \$0.28/MHz-POP).

² *Id.* at 9-10.

Morgan estimates that the value of AT&T and Verizon's combined spectrum holdings is more than two and one-third times that of Sprint and T-Mobile's combined (or nearly one and two-thirds times as valuable if Clearwire's holdings are included).³ This report also helps to emphasize how important this auction is to the competitive marketplace as the 600 MHz band represents one of the last, best chances for carriers to acquire low-frequency spectrum. As the analysts observe, "spectrum expense is mostly behind us," and "we do not expect AT&T or Verizon to ever sell their spectrum."⁴

Pursuant to Section 1.1206(b)(2) of the Commission's rules, an electronic copy of this letter is being filed in the above-referenced docket. Kindly direct any questions regarding this filing to the undersigned.

Respectfully submitted,

/s/ Trey Hanbury

Trey Hanbury
Counsel to T-Mobile USA, Inc.

cc: Louis Peraertz
Sarah Whitesell
Attachments

³ *Id.*

⁴ *Id.* at 9-10, 15.